

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 187** SLS 15RS 559

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2015	4:54 PM	Author: CLAITOR
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Ends the Alternative Fuel Tax Credit on July 1, 2015		

TAX/TAXATION OR +\$200,000 GF RV See Note Page 1 of 1

Limits the alternative fuel tax credit to qualified clean-burning motor vehicle fuel property purchased and installed, or new motor vehicles purchased at retail, before July 1, 2015. (gov sig)

Current law provides a refundable income tax credit for 50% of the cost of a vehicle conversion to alternative fuel. For a new vehicle, the credit is the lesser of 10% of the vehicle cost or \$3,000 for vehicles registered in the state and using only alternative fuel. If a vehicle is propelled by gasoline or diesel, it is not eligible.

Proposed law sunsets the credit by only allowing a credit for eligible alternative fuel conversion property purchased and installed or new vehicles purchased by July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$200,000	\$2,100,000	\$3,900,000	\$4,000,000	\$4,000,000	\$14,200,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$200,000	\$2,100,000	\$3,900,000	\$4,000,000	\$4,000,000	\$14,200,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Any implementation costs will be absorbed in the current budget. However, once session is complete, the cumulative effect of all new legislation may require additional departmental resources.

REVENUE EXPLANATION

The current alternative fuel income tax credit claims are about \$4M annually with 10% of claims occurring in year 1, 85% of claims occurring in year 2 and 5% of claims occurring in year 3. Thus, the largest impact will be in the year following the sunset or FY 17.

The figure for FY 15 is made uncertain by ending the credit in the middle of tax year 2015 because it is not clear how much conversion or purchasing activity has already occurred under current credit provisions. In keeping with the historical distribution, the bulk of claims under the current credit will not begin to impact the state until FY 17, which may be the first indication of Tax Year 15 activity. However, assuming half the anticipated credits or \$2M were earned in FY16 (the first half of Tax Year 2015 activity) and the historic distribution was followed, the FY 16 impact would be a \$200,000 increase in SGF. The accumulating effect of the sunseting the baseline effect, and incorporating the tax return distribution across fiscal years results in a total SGF gain in FY17 of \$2.1M, then \$3.9M in FY18, then the maximum impact of \$4M per year is reached in FY 19 and beyond.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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